

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

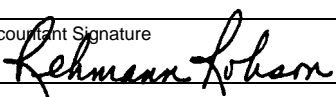
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature 			Date	

# **CALHOUN COUNTY PARK TRUSTEES FUND**

**Marshall, Michigan**

## **FINANCIAL STATEMENTS**

**For The Year Ended December 31, 2005**



**REHMANN ROBSON**

*Certified Public Accountants*

# **CALHOUN COUNTY PARK TRUSTEES**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



## INDEPENDENT AUDITORS' REPORT

April 14, 2006

Calhoun County Park Trustees  
Marshall, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **CALHOUN COUNTY PARK TRUSTEES FUND OF THE COUNTY OF CALHOUN, MICHIGAN, (the "Commission")** as of and for the year ended December 31, 2005, which collectively comprise the Park Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Calhoun County Park Trustees' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Calhoun County Parks General Operating Fund of the County of Calhoun, Michigan, and do not purport to, and do not present fairly the financial position of the County of Calhoun, Michigan as of December 31, 2005, and the changes in its financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **Calhoun County Park Trustees** as of December 31, 2005, and the respective changes in financial position thereof and the budgetary comparison for the parks general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **FINANCIAL STATEMENTS**

**CALHOUN COUNTY PARK TRUSTEES**  
**STATEMENT OF NET ASSETS AND GENERAL FUND BALANCE SHEET**

**DECEMBER 31, 2005**

<b>Assets</b>	<b>General Operating Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
Cash and cash equivalents	\$ 1,826	\$ -	\$ 1,826
<b>Total assets</b>	<u>1,826</u>	<u>-</u>	<u>1,826</u>
<b>Liabilities</b>			
Accounts payable	-	48,817	48,817
Due to Road Commission component unit	<u>48,817</u>	<u>(48,817)</u>	<u>-</u>
<b>Total liabilities</b>	<u>48,817</u>	<u>-</u>	<u>48,817</u>
<b>Fund Balance/Net Assets</b>			
Unreserved (deficit)	<u>(46,991)</u>	<u>46,991</u>	<u>-</u>
<b>Total fund balance (deficit)</b>	<u>(46,991)</u>	<u>46,991</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,826</u>		
<b>Net assets</b>			
Unrestricted (deficit)		<u>\$ (46,991)</u>	<u>\$ (46,991)</u>

The accompanying notes are an integral part of these financial statements.

**CALHOUN COUNTY PARKS TRUSTEES**  
**STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>General Operating Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Expenditures/Expenses</b>			
Parks and recreation	\$ 129,833	\$ -	\$ 129,833
<b>Program Revenues</b>			
Operating grants and contributions	2,000	-	2,000
Charges for services	100,258	-	100,258
<b>Net Program (Expense) Revenue</b>			(27,575)
<b>General Revenues</b>			
Interest earned	54	-	54
Other revenue	1,108		1,108
Gain on sale of capital assets	-	45,000	45,000
<b>Total general revenue</b>	1,162	45,000	46,162
<b>Other financing sources</b>			
Proceeds from sale of capital assets	45,000	(45,000)	-
<b>Net change in fund balances</b>	18,588	(18,588)	-
<b>Changes in net assets</b>		18,588	18,588
Fund Balance (Deficit)/Net Assets, Beginning of year	(65,579)	-	(65,579)
<b>Fund Balance (Deficit)/Net Assets, End of year</b>	\$ (46,991)	\$ -	\$ (46,991)

The accompanying notes are an integral part of these financial statements.

**CALHOUN COUNTY PARK TRUSTEES**  
**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>
<b>Revenue</b>				
Charges for services - golf course	\$ 130,224	\$ 130,224	\$ 99,068	\$ (31,156)
Charges for services - other	-	-	1,190	1,190
Contributions	-	-	2,000	2,000
Interest	135	135	54	(81)
Other	-	-	1,108	1,108
<b>Total revenue</b>	<b>130,359</b>	<b>130,359</b>	<b>103,420</b>	<b>(26,939)</b>
<b>Parks and recreation expenditures</b>				
Custer Greens Golf Course	129,039	129,039	129,833	794
Other	1,300	1,300	-	(1,300)
<b>Total expenditures</b>	<b>130,339</b>	<b>130,339</b>	<b>129,833</b>	<b>(506)</b>
<b>Other financing sources</b>				
Proceeds from sale of capital assets	-	-	45,000	45,000
<b>Net change in fund balance</b>	<b>20</b>	<b>20</b>	<b>18,588</b>	<b>18,568</b>
Fund balance (deficit), beginning of year	(65,579)	(65,579)	(65,579)	-
<b>Fund balance (deficit), end of year</b>	<b>\$ (65,559)</b>	<b>\$ (65,559)</b>	<b>\$ (46,991)</b>	<b>\$ 18,568</b>

The accompanying notes are an integral part of these financial statements.



# CALHOUN COUNTY PARK TRUSTEES

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Calhoun County Park Trustees (the “Park Commission”) conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

#### **Reporting Entity**

The Calhoun County Park Trustees, referred to as the Park Commission, is a Special Revenue Fund of the County of Calhoun, Michigan (“County”), and is used to control the expenditure of revenues from County park operations, primarily the operation of a public golf course. This fund is presented as the entity’s general operating fund.

#### **Basis of Presentation**

##### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. *Governmental activities* are supported by charges for services and interest income.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

##### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements (statement of net assets and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund (general fund) financial statements (general fund balance sheet and general fund revenues, expenditures and changes in fund balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

# CALHOUN COUNTY PARK TRUSTEES

## NOTES TO FINANCIAL STATEMENTS

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Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Park Commission reports the following major governmental fund:

The *special revenue parks fund* is this reporting unit's primary operating fund. It accounts for specific revenue sources that are legally restricted to expenditures for the County Park System. It is presented as the general operating fund for the Parks Commission.

### **Budgetary Data**

The governmental fund is under formal budgetary control. The budget shown in the financial statements is adopted on a basis consistent with generally accepted accounting principles (GAAP), and is not significantly different from the modified accrual basis used to reflect actual results, and consists only of those amounts contained in the formal budget as originally adopted or as amended by the Board of County Park Commissioners. The budget for the Parks General Operating Fund is adopted on a functional basis.

## **2. CASH DEPOSITS AND INVESTMENTS**

### **Deposits**

At December 31, 2005, the amount of the Park Commission's deposits were as follows:

	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Checking accounts	<b><u>\$ 1,826</u></b>	<b><u>\$ 46,826</u></b>

- \* Deposits of the Park Commission are held by Calhoun County and may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the Park Commission.

# **CALHOUN COUNTY PARK TRUSTEES**

## **NOTES TO FINANCIAL STATEMENTS**

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### **3. INTERFUND RECEIVABLES AND PAYABLES**

At December 31, 2005, payables consisted of an amount due to the Calhoun County Road Commission in the amount of \$48,817.

### **4. FUND DEFICIT**

The General Operating Fund ended the year with a deficit fund balance of \$46,991. It is the County's intention to eliminate this deficit by generation of revenues in excess of expenditures in future years, and to file a deficit elimination plan update with the State of Michigan Department of Treasury.

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP



April 14, 2006

Board of County Road Commissioners  
Calhoun County Road Commission

We have audited the financial statements of the *Calhoun County Road Commission* for the year ended December 31, 2005, and have issued our report thereon dated April 14, 2006. Professional standards require that we provide you with the following information related to your audit.

### **Our Responsibility Under Generally Accepted Auditing Standards**

As stated in our engagement letter dated January 20, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Calhoun County Road Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Calhoun County Road Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005. We noted no transactions entered into by the Calhoun County Road Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates affecting the financial statements was:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that it is reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Calhoun County Road Commission's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Calhoun County Road Commission, either individually or in the aggregate, indicate matters that could have a significant effect on Calhoun County Road Commission's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Calhoun County Road Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Board and management of the Calhoun County Road Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style. The first name "Lehmann" is written with a large, prominent 'L' and the last name "Johnson" follows in a similar cursive script.

# **CALHOUN COUNTY ROAD COMMISSION**

## **ACCOUNTING MEMORANDUM**

**YEAR ENDED DECEMBER 31, 2005**

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### **Ott Land Contract**

This comment is repeated from prior years' accounting memorandums and has not yet been resolved. In accordance with the terms of a land contract related to the purchase of a building and land in 1998, interest at the rate of 10% accrues on the outstanding balance of \$175,000. Monthly payments of \$600 are called for, which results in negative amortization. The negative amortization has resulted in an increase in principal of \$12,800 in 2005, making the new balance \$266,733. The land contract provides for early payment "if grant monies can be found". In the year 2013, under the present payment scheme, the principal balance would grow to \$367,000.

We again recommend that the Road Commission continue to determine options for reducing this burden in order to eliminate the negative amortization, or to examine other options by either paying off the obligation, or refinancing the debt on this property should grant monies are secured.

### **Depreciation of Road Equipment**

We noted that certain road equipment asset costs which are not fully depreciated had no depreciation expense reflected in 2005. The effect of this situation is to understate both equipment expense and the depreciation credit accounts.

Road assets with remaining book values should be evaluated and depreciated over their remaining useful lives.

### **Interfund Loans**

This comment is repeated again for the year ended December 31, 2005. At December 31, 2005, the Road Commission fund has advanced The Board of Public Works Solid Waste fund \$601,784 which is shown as due from component units in the financial statements. These transactions represent an unauthorized use of Road funds if the loans are other than temporary. These loan balances have existed for the past several years.

The Board of Public Works Solid Waste fund has \$501,000 cash at December 31, 2005, which can be used to reduce the interfund borrowing. The Boards of the Roads and Public Works should explore ways to reduce the interfund loan balance completely.

### **Journal Entries**

As part of our audit procedures, we tested the processes and controls for journal entries (transfer vouchers). It was noted that in several cases, there is no description or reason for the journal entry, nor was documentation supporting the entry attached.

It is recommended that in all cases the preparer of the journal entry or transfer voucher provide an explanation of the entry, and to attach to the entry page the proper support or documentation for the entry.

# **CALHOUN COUNTY ROAD COMMISSION**

## **ACCOUNTING MEMORANDUM (Concluded)**

**YEAR ENDED DECEMBER 31, 2005**

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### **Budgeting**

The actual operating expense for the Road Commission Fund shows that total equipment cost – net was \$88,316. This amount represents equipment costs less equipment rental credits, in accordance with the Road Commission Uniform Accounting Manual. The budgets for this net equipment costs does not take into account the equipment rental credit expected amount, causing each year a significant variance between the budget and actual amounts for equipment cost - net.

In future budget preparations, the equipment rental credit amount should be taken into consideration in order to account for the net costs of equipment.

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